



An Introduction to Self Assessment

As the director of a Limited Company you will be required to complete a Self Assessment Tax Return.

The Self Assessment Cycle

Tax returns are issued shortly after the end of the fiscal year, which runs from 6 April to the following 5 April, so 2013/14 runs from 6 April 2013 to 5 April 2014. If you are registered for Self Assessment you will be sent a notice advising the return is due. If you have not been issued with a tax return but know you have tax due it is your responsibility to notify HMRC who may then issue a return.

A Self Assessment return is due to be filed by 31 January following the end of the fiscal year. If a completed return is not sent on time, HMRC will automatically issue a penalty of £100 irrespective of whether any tax is due or not.

Genie Accountancy will complete your Self Assessment Return for you based on information provided by yourself. We will ensure this is filed before the due date.

Payment of Tax

The UK Income Tax system has a payment regime in which the tax payments are usually made in installments. The installments consist of two payments on account of equal amounts: The first on 31 January during the tax year and The second on 31 July following.

These payments are set by reference to your previous year's net income tax liability. A final balancing payment may be due on 31 January following the tax year. In calculating your level of installments any tax attributable to Capital Gains is ignored. All capital gains tax is paid as part of the final payment due on 31 January following the end of the tax

year.

A statement of account similar to a credit card statement is sent to the taxpayer periodically which summarises the payments required and payments made.

Example – first year of trading

George began to trade on 5 May 2011. His first Self Assessment return will be due for the period to 5 April 2012. No payments on account will be due on 31 July 2011, 31 January 2012 or 31 July 2012 since there is no previous years liability to reference these to. All the liability will be due on 31 January 2013 along with the first payment on account for 2012/13 set by reference to the liability for 2011/12.

Example – first year of trading

Emma's income tax liability for 2011/12, after amounts deducted at source, is £8,000. Her liability for the following year is £10,500. Payments for 2011/12 will be:

Date	Details	Amount
31.1.12	First installment (50% of 2010/11 liability)	£4,000
31.7.12	Second Installment (50% of 2010/11 liability)	£4,000
31.1.13	Final payment (2011/12 liability less sums already paid)	£2,500
Total paid		£10,500

There will also be a payment on 31 January 2013 of £5,250, the first instalment of the 2012/13 tax year (50% of the 2011/12 liability).

Interest and surcharges

Interest will be charged on any tax paid late. There will also be interest added by HMRC when tax overpaid is refunded.

In addition there will be a 5% surcharge on any tax still outstanding on 28 February following the year of assessment, increasing to 10% if still unpaid at 31 July.

Nil payments on account

Where there is only a small amount of income tax due, after tax deducted at source has been accounted for, and then the two payments on account will be set at nil. This applies if income tax due for the preceding year net of tax deducted at source is less than £1,000 in total or if more than 80% of your income tax liability for the preceding year was net by deduction of tax at source and from tax credits on dividends. Assessment, increasing to 10% if still unpaid at 31 July.

Claim to reduce payments on account

If you believe your current year's tax liability will be lower than the previous year's a claim can be made to reduce the payment on account. You should talk to your accountant if you are considering this.

Changes to the tax return

HMRC may correct a self assessment within nine months of the return being filed in order to correct any obvious errors or mistakes in the return. You may also amend your return within 12 months of the filing date.

Enquiries

HMRC may enquire into your return by giving you written notice. In most cases the time limit for this is 12 months following the filing date.

HMRC cannot query an entry on the return without opening an enquiry. The main purpose of the enquiry is to identify errors, not all enquiries will determine that a return is incorrect.

If there is an enquiry you will receive a letter from HMRC and you should forward this to us immediately. We will assist you to prepare your response.